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BACKGROUND NOTES ON PROPOSED RETIREMENT LEGISLATION

1. Purpose: To improve CIA's ability to attract, retain, and manage a highly qualified career corps in the conduct and support of foreign intelligence operations notwithstanding our inability to assure all of these careerists a full normal Government career span of thirty years or more.

2. Problem: The Civil Service retirement system which is applicable to Agency employees makes inadequate provision for those officers whose careers must be shortened because of the special requirements and conditions of Agency service.

3. Discussion:

a. Need for careerists: Foreign intelligence operations require people possessing unique qualifications and motivation who must be trained and developed through service with the Agency in highly specialized fields of endeavor. Moreover, these people are obligated to serve when and where they are needed on a 24-hour-day basis, as are members of the military and the Foreign Service.

b. Requirements and conditions of service which shorten careers:

(1) Stresses and strains of service in foreign intelligence operations require a high degree of such youthful characteristics as vigor, vitality, endurance, and adaptability.

(2) The utility of an officer in overseas service is inhibited or destroyed if his cover is "blown." However, the longer an officer serves under cover, the greater the risk that his true employment affiliation will be inadvertently revealed to or inferred by hostile parties.

(3) Because the cover positions which can be made available to the Agency are those which are normally manned by junior personnel of the host organization, it is difficult to find appropriate cover for any substantial number of officers of middle-age or over or in the higher grades.

(4) "Motivational exhaustion" limits the individual's ability and desire to remain in overseas operations for a full career span. It is defined as a gradual lessening of interest and enthusiasm which results from impingements on personal and family life occasioned by the transient nature of assignments, complications and restrictions of "living one's cover," and intrusions on family life of performing cover and Agency jobs concurrently.

(5) Health hazards result in physical impediments affecting an officer or a member of his family which limit or preclude overseas service.

c. Need to adjust to changing personnel requirements: The dynamic nature of intelligence operations produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance

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of officers who are skilled in a relatively narrow field of operations. Such changes cannot always be met by retraining of the individuals whose primary qualifications thus become obsolete or unneeded and they become "occupationally surplus." For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities require the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.

d. Adequate provision for retirement in a program of managed attrition:

As a result of the factors described above, the Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in foreign intelligence operations. Imbalances should be and have been corrected by the reassignment within the Agency of those officers who cannot or should not continue in such work. However, encouraged and induced attrition will also be necessary. Intelligence skills are not readily transferrable to other fields of work and careerists who must enter other fields encounter difficulty in maintaining a salary level comparable to that attained during their intelligence careers. Therefore, a program of managed attrition must be linked to a system of retirement benefits which are sufficient to induce an individual to take the risk of being separated before serving a full-term career.

4. Adaptability of Foreign Service retirement system to Agency's needs: In addition to the special requirements of cover and security which are applicable to Agency employment, those individuals engaged in foreign intelligence operations are subject to essentially the same conditions of service which were the basis for the Foreign Service retirement system. [REDACTED]

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5. Application of new retirement system to Agency employees: The careers of [REDACTED] employees are directly oriented to intelligence operations abroad. At any moment in time, [REDACTED] are serving abroad while the balance are at headquarters as replacements. The proposed retirement system would be applied only to (1) careerists whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the U. S. of such operations under comparable conditions, and to (2) careerists whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment. It is estimated that [REDACTED] employees will meet these criteria and Civil Service retirement will remain the retirement system for all other employees.

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6. Urgency: Manpower studies over the past several years show that the Agency is accumulating a disproportionate number of careerists in its foreign intelligence operations service who, because of health problems, age, loss of flexibility as to cover and assignment, and similar reasons, do not possess the general utility required to staff this service. Increasingly these individuals are and will be

limited to headquarters assignments or the least demanding field assignments and are blocking positions needed to permit the regular intake and development of younger people into this service. There is a present and critical need to provide for the orderly reduction of the number of these individuals who, though no fault of their own, are of diminishing usefulness in this service. By providing for their retirement at earlier ages than under Civil Service retirement and with appropriate annuities, the proposed legislation equips the Agency with an important manpower management tool which it needs now.

There is urgency from the morale point of view as well. About three years ago, the Agency adopted a program for the separation of personnel made surplus through their inability to fulfill the requirements of mobility and universal assignability which are necessary for service in foreign intelligence operations. While a number of these people were reassigned to appropriate positions in other parts of the Agency and an additional number have located suitable employment elsewhere, there were still a significant number of individual cases in which a careerist in late middle age was released without adequate provision for his future. Such cases are well known to other careerists who are concerned that in a few years they too might find themselves in the same situation, a situation which our proposed retirement legislation is designed to overcome. The early favorable action by the House of Representatives on this proposed legislation provided an important psychological boost to them as evidence of the intention to solve the Agency's manpower problems in a more humane way. Additionally, those employees who are nearing retirement need to be informed regarding the provisions of the retirement system which will be applied to them so that they can plan accordingly. The longer the delay in obtaining this legislation, the larger will be the number of individuals who will be retired with relatively short notice.

7. Cost: We have consulted the Civil Service Commission concerning techniques of estimating the cost of the proposed retirement system and have accepted their conclusion that the gross cost cannot be actuarially computed without experience data under the proposed system which cannot be obtained until it is actually operative. However, the annual cost of the benefits of the proposed retirement system can be most fairly estimated by using the evaluations of the U. S. Treasury actuary as to the cost of current benefits of the Foreign Service retirement system. At the time of our previous submission, this cost was actuarially estimated to be 23.69% of the payroll for the employees covered by the bill. Applying this same rate to the estimated payroll for employees who would be covered by our proposed system produces [redacted] Comparable data of the Civil Service Commission actuaries available at the time of our previous submission indicated the cost to be 13.83% of payroll for covered employees. Applying this rate to the estimated payroll for employees who would be covered by our proposed system produces [redacted] Thus, the additional annual cost of the benefits of the proposed system is estimated to be [redacted] However, it is important to note that it has not been the practice to fully fund either the Civil Service system or the Foreign Service system.

The Civil Service Commission is at present conducting a new actuarial study of the Civil Service retirement system. More recent studies have also been developed for the Foreign Service system. We are working with both the Commission and the Treasury to provide comparative cost data based on their most recent findings.

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